

# Annual Management Report of Fund Performance

## BMO Private Diversified Yield Portfolio

For the period ended December 31, 2024

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the Portfolio. If the annual financial statements of the Portfolio do not accompany the mailing of this report, you may obtain a copy of the annual financial statements at your request, and at no cost, by calling 1-855-852-1026, by e-mailing us at [contactcentre@bmo.com](mailto:contactcentre@bmo.com), by writing to us at BMO Private Investment Counsel Inc., 1 First Canadian Place, 100 King St. W., 41st Floor, Toronto, Ontario, M5X 1A1 or by visiting our website at [www.bmo.com/privatewealth/regulatory-documents/bpic/](http://www.bmo.com/privatewealth/regulatory-documents/bpic/) or SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca). You may also contact us using one of these methods to request a copy of the Portfolio's interim financial report, proxy voting policies and procedures, proxy voting disclosure record and/or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

*BMO Private Investment Counsel Inc. ("BPIC" or the "Manager"), the manager and portfolio manager, is responsible for the management of the overall business, investments and operations of the BMO Private Portfolios and has engaged BMO Asset Management Inc. ("BMO AM Inc." or the "sub-advisor") as the sub-advisor of BMO Private Diversified Yield Portfolio (the "Portfolio").*

### Investment Objective and Strategies

The Portfolio's investment objective is to provide income by investing primarily in a diversified portfolio of Canadian securities.

To achieve the Portfolio's objectives, the sub-advisor employs bottom-up security selection that is based on quantitative and traditional fundamental analyses that consider each company's projected earnings growth, cash flows, payout ratios, business fundamentals, balance sheet strength, credit ratings, relative valuation considerations and management quality. In order to help ensure the Portfolio is not overly sensitive to a particular line of business, the Portfolio will be diversified across various industries.

The Portfolio may invest in, but is not limited to investing in, common equities, preferred equity, income trusts, royalty trusts, real estate investment trusts, convertible debentures, and fixed income securities. The Portfolio may use derivative instruments, primarily options, to attempt to generate income in the Portfolio.

### Risk

The risks associated with an investment in the Portfolio remain as disclosed in the Portfolio's most recent simplified prospectus or any amendments thereto and fund facts. During the period, there were no changes to the Portfolio's investment objective, strategies or management that materially affected the overall risk level associated with an investment in the Portfolio. The Manager reviewed the Portfolio using the standardized investment risk classification methodology prescribed by National Instrument 81-102 *Investment Funds* and determined on May 17, 2024, that the risk rating of the Portfolio changed from "Low to Medium" to "Medium". The Manager reviews the Portfolio's investment risk level and reference index, if any, at least annually.

### Results of Operations

Over the 12-month period ended December 31, 2024, the Portfolio returned 21.38%, after expenses. The Portfolio's benchmark is the S&P/TSX Composite Index (the "S&P/TSX"), which generated a 21.65% total return over the same 12-month period.

Canadian equities were strong in 2024, with the S&P/TSX setting multiple record highs. Despite coming off its record high set on December 6, the Canadian equity market delivered a strong 21.65% total return for the year. Financials, Materials and Energy were among the sectors that outperformed, delivering 30.10%, 21.44% and 23.84% total returns, respectively.

Higher rate cut expectations throughout the year resulted in more rate-sensitive sectors lifting Canadian stocks higher, including preferred shares. Financials was the top-performing sector for the year, and its



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weighting in the preferred share space helped lift the asset class higher. The Canadian preferred share market, as measured by the S&P/TSX Preferred Share Index, was up 24.70%, outperforming the broader Canadian equity market by over 300 basis points.

Across the 11 sectors in Canada, Real Estate was one of the laggards, delivering only 5.55%. The S&P/TSX Capped REIT Index lost 1.94%. One reason behind this is the duration proxy nature of the sector. While interest rates fell in 2024, the longer end of the Canadian curve closed off the year largely unchanged.

Underweight exposures to the Energy and Materials sectors detracted from the Portfolio's performance, as did an overweight allocation to the Utilities sector. Stock selection within the Financials, Consumer Staples and Materials sectors also detracted from performance. The Portfolio's position in Northland Power Inc. detracted from performance alongside the shift higher in bond yields and the announcement by the company of a management team change, which was negatively received. A holding in Rogers Communications Inc. also detracted from the Portfolio's performance. The company's shares underperformed amid heightened wireless competition and the arrival of a new fourth national competitor. Another notable detractor from performance was a position in The Toronto-Dominion Bank. Its stock price was weaker because of anti-money laundering compliance violations and concerns over possible penalties.

An overweight exposure to the Industrials sector contributed to the Portfolio's performance, as did underweight exposures to the Energy and Materials sectors. Stock selection within the Industrials, Energy and Financials sectors contributed to performance. Top individual contributors to the Portfolio's performance were positions in iA Financial Corp. Inc., Brookfield Corp. and WSP Global Inc. Shares of iA Financial Corp. Inc. moved sharply higher on a series of positive earnings surprises, strong delivery of free cash flow and dividend-per-share growth. Brookfield Corp.'s stock gained on strong business momentum, a compelling investor day and a successful asset spin-out. WSP Global Inc. saw its shares appreciate alongside steady strategic execution, consistent operating and financial performance, and acquisitions.

The sub-advisor added to the Portfolio a new holding in Bank of Montreal. The bank is well positioned to offer attractive returns because of its diversified business mix, above-average earnings prospects, solid capital position and dividend growth. In addition, it has recently acquired Bank of the West. Other new positions added to the Portfolio included ARC Resources Ltd., Alimentation Couche-Tard Inc., Canadian Pacific Kansas City Ltd., Manulife Financial Corp. and Constellation Software Inc. An existing Portfolio holding in Restaurant Brands International Inc. was increased as the company continues to demonstrate progress on its repositioning program and its international expansion.

During the period, several adjustments were made to the Portfolio. Preferred shares have been eliminated from the Portfolio because of their poor liquidity and shrinking issuer base. The Portfolio's positions in TMX Group Ltd., PrairieSky Royalty Ltd., Allied Properties REIT, Granite Industrial REIT and Killam Apartment REIT were also eliminated. A holding in Tricon Residential Inc. was sold following the company's agreement to be acquired by Blackstone Inc. Portfolio holdings in Tourmaline Oil Corp., Element Fleet Management Corp., TELUS Corp. and Canadian Apartment Properties REIT were trimmed.

*For information on the Portfolio's longer-term performance and composition, please refer to the Past Performance section and Summary of Investment Portfolio section of this report.*

### **Recent Developments**

During the period, the preferred share and REIT assets were sold from the Portfolio, and a series of common equity adjustments were made.

The sub-advisor believes that the outlook for Canadian equities in 2025 should be positively influenced by the same equity drivers as last year. These drivers include central bank monetary easing, enthusiasm over artificial intelligence, technological innovation and an economic "soft landing". These themes are expected to lend themselves to a better earnings growth story for Canadian equities, a key driver of stock prices over the long term. Having said that, equity investors continue to face higher levels of uncertainty ahead amid brewing trade wars, growing government and consumer debt

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levels, softening Chinese economic growth, a political election in Canada and an unsettling rise in global conflict. These persistent risks should ensure that volatility will remain a fixture for investors in the near to medium term.

Dividend and dividend growth strategies have underperformed on a relative basis over the past few years given interest rate variability and a strong investor bias for momentum stock trades. The sub-advisor's strategy continues to be anchored to investing in high-quality, sustainable businesses with safe and growing dividend streams that the sub-advisor believes will be increasingly attractive to investors looking forward as interest rates ease.

### Related Party Transactions

BMO Trust Company, an indirect, wholly-owned subsidiary of Bank of Montreal ("BMO"), is the trustee (the "trustee") and BPIC is the manager of the Portfolio. From time to time, BPIC may, on behalf of the Portfolio, enter into transactions or arrangements with or involving other members of BMO Financial Group, or certain other persons or companies that are related or connected to the Portfolio (each, a "related party" and collectively, the "related parties"). The purpose of this section is to provide a brief description of any transaction involving the Portfolio and a related party. In each instance where a conflict of interest is identified, it will be referred to the Portfolio's independent review committee (the "IRC"). The primary focus of the IRC is to determine whether the proposed action of the Manager in respect of the conflict of interest matter achieves a fair and reasonable result for the Portfolio.

#### *Sub-advisor*

BPIC has hired BMO AM Inc., a related party, to provide investment advice and make investment decisions for the Portfolio's investment portfolio. BMO AM Inc. receives a sub-advisory fee based on assets under management, which is paid monthly. BMO AM Inc. is paid by BPIC.

#### *Buying and Selling Securities*

During the period, the Manager relied on Standing Instructions provided by the Portfolio's IRC for any of the following related party transactions that may have occurred in the Portfolio:

- (a) investments in securities issued by BMO, an affiliate of the Manager, or any other issuer related to the Manager;
  - (b) investments in a class of securities of an issuer during the distribution period of those securities or the 60-day period following the completion of the distribution where BMO Nesbitt Burns Inc., an affiliate of the Manager, or any other affiliate of the Manager acts as an underwriter in the distribution of those securities;
  - (c) trades in over-the-counter debt securities in the secondary market with BMO Nesbitt Burns Inc., or any other affiliate of the Manager, acting as principal in the Canadian debt securities market; and
  - (d) trades of a security of any issuer from or to, another investment fund managed by the Manager or an affiliate of the Manager or a managed account managed by an affiliate of the Manager
- (each, a "Related Party Transaction").

In accordance with the IRC's Standing Instructions, in making a decision to cause the Portfolio to make a Related Party Transaction, the Manager and the sub-advisor of the Portfolio are required to comply with the Manager's written policies and procedures governing the Related Party Transaction and report periodically to the IRC, describing each instance that the Manager and/or the sub-advisor relied on the Standing Instructions and their compliance or non-compliance with the governing policies and procedures. The governing policies and procedures are designed to ensure that each Related Party Transaction (i) is made free from any influence of BMO, BMO Nesbitt Burns Inc. or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc. and without taking into account any considerations relevant to BMO, BMO Nesbitt Burns Inc.

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or an associate or affiliate of BMO and/or BMO Nesbitt Burns Inc., (ii) represents the business judgment of the Manager and/or the sub-advisor, uninfluenced by considerations other than the best interests of the Portfolio, and (iii) achieves a fair and reasonable result for the Portfolio. The IRC has reviewed the related party transactions described above and has provided an approval that each transaction achieves a fair and reasonable result for the Portfolio.

### *Brokerage Commissions*

The Portfolio pays standard brokerage commissions at market rates to BMO Nesbitt Burns Inc., an affiliate of the Manager, for executing a portion of its trades. The brokerage commissions charged to the Portfolio during the periods were as follows:

	<b>Period ended Dec. 31, 2024 (\$000s)</b>	<b>Period ended Dec. 31, 2023 (\$000s)</b>
Total Brokerage Commissions	623	142
Brokerage Commissions paid to BMO Nesbitt Burns Inc.	66	13

### *Wealth Management Fee*

Units of the Portfolio are only available through the wealth management service offered by BMO Financial Group. The trustee, a related party, and the Manager receive an annual fee from each investor for the wealth management service offered by BMO Financial Group. A tiered schedule is applied to calculate the annual fee for this service. The fee schedule starts at 1.95% and declines to 0.20% (depending on the nature and size of the investor's investment portfolio), and is calculated as a percentage of the assets under management.

The actual wealth management fee payable by each investor is set out in BPIC's *Investment Management Fee Schedule* that is provided to the investor when the investor enters into an investment management agreement with the trustee and BPIC. The wealth management fee is paid directly by the investor to the trustee and the Manager. The trustee may compensate financial institutions and securities registrants within BMO Financial Group for client referrals to the wealth management service.

### *Unitholder Services*

The Portfolio is provided with certain facilities and services by related parties. BPIC is the registrar of the Portfolio. The trustee and BPIC are paid by the Portfolio for fees relating to the custodial and administrative services they provide, respectively. Administrative services include fund accounting, record keeping and purchases/redemption order processing.

The fees charged to the Portfolio during the periods were as follows:

	<b>Period ended Dec. 31, 2024 (\$000s)</b>	<b>Period ended Dec. 31, 2023 (\$000s)</b>
Unitholder Services	253	245

### *Management Fee*

There is no management fee charged to the Portfolio. The trustee and the Manager receive an annual wealth management fee from investors for the wealth management service offered by BMO Financial Group.

## BMO Private Diversified Yield Portfolio

### Financial Highlights

The following tables show selected key financial information about the Portfolio and are intended to help you understand the Portfolio's financial performance for the periods indicated.

The Portfolio's Net Assets Per Unit <sup>(1)</sup>		Years ended December 31				
		2024	2023	2022	2021	2020
Net assets, beginning of period	\$	20.16	19.72	22.74	19.09	19.49
<b>Increase (decrease) from operations:</b>						
Total revenue	\$	0.76	0.84	0.72	0.70	0.71
Total expenses <sup>(2)</sup>	\$	(0.04)	(0.02)	(0.01)	(0.02)	(0.02)
Realized gains (losses) for the period	\$	0.94	0.01	0.76	1.02	(0.01)
Unrealized gains (losses) for the period	\$	2.65	0.40	(3.72)	2.78	(0.53)
<b>Total increase (decrease) from operations <sup>(3)</sup></b>	<b>\$</b>	<b>4.31</b>	<b>1.23</b>	<b>(2.25)</b>	<b>4.48</b>	<b>0.15</b>
<b>Distributions:</b>						
From income (excluding dividends)	\$	0.03	0.03	0.01	0.01	0.01
From dividends	\$	0.73	0.78	0.71	0.68	0.70
From capital gains	\$	—	—	—	—	—
Return of capital	\$	0.00	0.00	0.03	0.06	0.05
<b>Total Annual Distributions <sup>(4)</sup></b>	<b>\$</b>	<b>0.76</b>	<b>0.81</b>	<b>0.75</b>	<b>0.75</b>	<b>0.76</b>
<b>Net assets, end of period</b>	<b>\$</b>	<b>23.65</b>	<b>20.16</b>	<b>19.72</b>	<b>22.74</b>	<b>19.09</b>

<sup>(1)</sup> This information is derived from the Portfolio's audited annual financial statements.

<sup>(2)</sup> Includes commissions and other portfolio transaction costs and withholding taxes.

<sup>(3)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period. This table is not intended to be a reconciliation of beginning to ending net assets per unit.

<sup>(4)</sup> Distributions were paid in cash or reinvested in additional units of the Portfolio, or both.

Ratios and Supplemental Data		Years ended December 31				
		2024	2023	2022	2021	2020
Total net asset value (000s) <sup>(1)</sup>	\$	697,936	687,924	709,477	869,518	833,781
Number of units outstanding (000s) <sup>(1)</sup>		29,515	34,119	35,985	38,239	43,666
Management expense ratio <sup>(2)</sup>	%	0.08	0.08	0.07	0.06	0.07
Management expense ratio before waivers or management absorptions <sup>(2)</sup>	%	0.19	0.19	0.18	0.17	0.18
Trading expense ratio <sup>(3)</sup>	%	0.09	0.02	0.01	0.02	0.02
Portfolio turnover rate <sup>(4)</sup>	%	38.01	6.92	3.92	6.41	6.83
Net asset value per unit	\$	23.65	20.16	19.72	22.74	19.09

<sup>(1)</sup> This information is provided as at December 31 of the period shown.

<sup>(2)</sup> Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

<sup>(3)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

<sup>(4)</sup> The portfolio turnover rate indicates how actively the Portfolio's sub-advisor manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the year. The higher a portfolio turnover rate in a year, the greater the trading costs payable by the portfolio in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a portfolio.

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## Past Performance

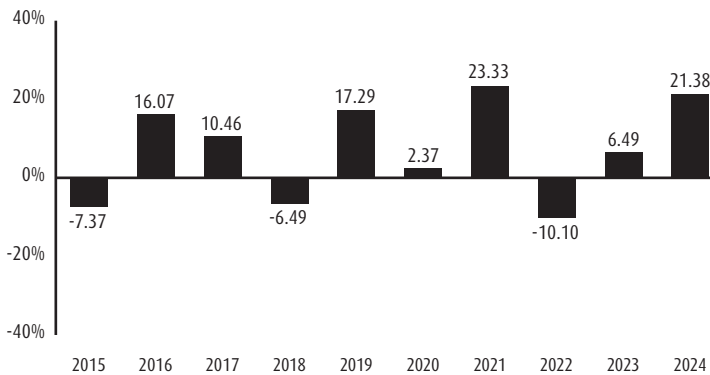
### General

The Portfolio's performance information assumes that all distributions made by the Portfolio in the periods shown were reinvested in additional units of the Portfolio and is based on the net asset value of the Portfolio. The reinvestment of distributions increases returns.

The performance information does not take into account sales, redemption, distribution or other optional charges that, if applicable, would have reduced returns or performance. Please remember, how the Portfolio has performed in the past does not necessarily indicate how it will perform in the future.

### Year-by-Year Returns

The following bar chart shows the performance for each of the financial years shown, and illustrates how the performance has changed from year to year. The bar chart shows in percentage terms how an investment made on the first day of each financial year would have increased or decreased by the last day of each financial year.



### Annual Compound Returns

This chart compares the historical annual compound returns of the Portfolio with the S&P/TSX Composite Index. The S&P/TSX Composite Index reflects the price movements of a floating list of companies on the Toronto Stock Exchange that meet Standard & Poor's criteria for inclusion in the index.

	1 yr %	3 yrs %	5 yrs %	10 yrs %
BMO Private Diversified Yield Portfolio‡	21.38	5.13	7.96	6.69
S&P/TSX Composite Index	21.65	8.58	11.08	8.65

‡ The Portfolio's return is after the deduction of expenses, while the benchmark does not include any costs of investing.

*A commentary on the market and/or information regarding the relative performance of the Portfolio as compared to its benchmark can be found under the Results of Operations section of this report.*

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### Summary of Investment Portfolio

as at December 31, 2024

Portfolio Allocation	% of Net Asset Value	Top 25 Holdings Issuer	% of Net Asset Value
Financials	39.7	Royal Bank of Canada	9.5
Industrials	20.8	Brookfield Corporation, Class A	7.9
Energy	12.7	Toronto-Dominion Bank, The,	5.7
Utilities	6.3	Waste Connections, Inc.	5.1
Materials	5.3	Intact Financial Corporation	4.1
Consumer Discretionary	4.7	WSP Global Inc.	4.1
Consumer Staples	2.9	Enbridge Inc.	3.9
Communication Services	2.8	Bank of Nova Scotia, The,	3.6
Information Technology	2.2	Brookfield Infrastructure Partners L.P.	3.5
Real Estate	1.4	Canadian National Railway Company	3.3
Cash/Receivables/Payables	0.7	Dollarama Inc.	3.3
Money Market Investments	0.5	Canadian Pacific Kansas City Limited	3.2
<b>Total portfolio allocation</b>	<b>100.0</b>	Element Fleet Management Corp.	3.1
		Alimentation Couche-Tard Inc.	2.9
		Bank of Montreal	2.8
		TC Energy Corporation	2.6
		Canadian Natural Resources Limited	2.5
		Constellation Software Inc.	2.2
		Franco-Nevada Corporation	2.1
		Manulife Financial Corporation	2.1
		iA Financial Corporation Inc.	2.1
		Thomson Reuters Corporation	2.1
		Fortis Inc.	1.9
		Pembina Pipeline Corporation	1.9
		Brookfield Asset Management Ltd., Class A	1.9
		<b>Top holdings as a percentage of total net asset value</b>	<b>87.4</b>
		<b>Total Net Asset Value</b>	<b>\$697,936,059</b>

*The Summary of Investment Portfolio may change due to the Portfolio's ongoing portfolio transactions. Updates are available quarterly.*

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